

NOTES TO ANNUAL FINANCIAL STATEMENTS

AS OF SEPTEMBER 30, 2001 AND 2000
(DOLLARS IN THOUSANDS)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

The Centers for Disease Control and Prevention (CDC) is considered a separate reporting entity of the Department of Health and Human Services (HHS), a cabinet-level agency of the Executive Department of the United States Government. CDC's main source of funding is through an annual appropriation from Congress. The Agency for Toxic Substances and Disease Registry (ATSDR) is a separate entity within HHS, which is administered by CDC. The Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (CERCLA) established the Hazardous Substances Superfund under which ATSDR operates.

The following are CDC's and ATSDR's appropriation accounts including the purpose and availability of funds in those accounts.

APPROPRIATED FUNDS

75 0943	Disease Control, Research, and Training: The General Operating Appropriation; Availability: Annual
75X0943	Disease Control, Research, and Training: Building and Facilities; Availability: No-year/Indefinite
75/0943	Disease Control, Research, and Training: Royalty Income; Availability: Two year and Three year
75X0512.009	Grants to States for Medicaid (Vaccines for Children Allocation); Availability: No-year/Indefinite
75 1503(09)	Refugee and Entrant Assistance (Family Support Administration); Availability: Annual
75F3875.09	Budget Clearing Account (Suspense)
75F3885.09	Budget Clearing Account (Suspense)
75X5146	Cooperative Research and Development Agreements; Availability: No-year/Indefinite
75X6276.09	Withhold State Payroll Deductions
75R1435	Miscellaneous Receipts Account, General Fund Proprietary Interest
75R3220	Miscellaneous Receipts Account, General Fund Proprietary Receipts, Not Otherwise Classified, All Other

TRUST FUNDS

7520X8145(09)	Hazardous Substances Superfund; Availability: No-year/Indefinite
75 8252	Hazardous Substances Superfund; Availability: Annual
75 8606	Violent Crime Reduction Trust Fund; Availability: Annual
75X8250	Gifts and Donations; Availability: No-year/Indefinite

BASIS OF PRESENTATION

These financial statements have been prepared from the accounting records of the CDC in conformity with generally accepted accounting principles (GAAP) and the form and content for entity financial statements specified by the Office of Management and Budget (OMB) in OMB Bulletin 97-01, "Form and Content of Agency Financial Statements," as amended, as well as applicable sections of OMB Bulletin 01-09, "Form and Content of Agency Financial Statements." These statements are therefore different from the financial reports, also prepared by CDC, pursuant to other OMB directives that are primarily used to monitor and control CDC's use of budgetary resources. In addition, the FY 2000 balance sheet and corresponding notes were formatted to the FY 2001 formats for comparison.

The financial statements consolidate the balances of 15 appropriations and trust fund accounts, including a number of accounts used for suspense, collection of receipts, and general governmental functions.

BASIS OF ACCOUNTING

CDC's transactions are recorded on an accrual accounting basis and a budgetary basis. Under the accrual method, revenues are recognized when earned and expenses are recognized when a liability is incurred, without regard to the receipt or payment of cash. Budgetary accounting facilitates compliance with legal constraints and controls over the use of federal funds.

ENTITY AND NONENTITY ASSETS

Entity assets are those assets that the reporting entity holds and has the authority to use in its operations. Nonentity assets are assets the entity holds but does not have the authority to use. CDC's nonentity assets consist of collections on debts that are due to be returned to the Department of the Treasury General Fund. The CDC financial statements combine the entity and nonentity assets. Note 1 "Summary of Significant Accounting Policies" (see Funds with Treasury and Cash), Note 2 "Fund Balance with Treasury," Note 3 "Accounts Receivable, Net," and Note 4 "Other Assets" report the entity and nonentity assets.

FUNDS WITH TREASURY AND CASH

CDC maintains all cash accounts with the U.S. Department of the Treasury. The account, "Fund Balance with Treasury," represents appropriated, trust, and other funds available to pay current liabilities. The U.S. Treasury processes cash receipts and disbursements for CDC. In addition to the Fund Balance with Treasury, CDC has entity cash assets totaling \$117 thousand which include imprest funds and undeposited collections.

ACCOUNTS RECEIVABLE

Accounts receivable consist of amounts owed to CDC and ATSDR by other federal agencies and the public. Amounts due from the public are presented net of an allowance for loss on uncollectible accounts. The allowance for loss is based on past collection experience.

ADVANCES TO GRANTEES/ACCRUED GRANT LIABILITY

Grant Advances are cash outlays made by CDC to its grantees. An accrued grant liability occurs when the year-end grant accrual exceeds advances to grantees outstanding for the year. Progress payments on work in process are not included in grants.

The CDC's grant programs are classified into two categories, "programs not subject to the expense accrual" and "programs subject to the expense accrual."

Programs Not Subject to the Expense Accrual: These programs are formula grants under which states provide a variety of services or payments to individuals and federal agencies that are precluded from requiring expense reporting. Under these formula grants, states receive a fixed sum pursuant to authorizing legislation and draw down based on cash needs. Accordingly, these programs operate on an allocation basis as opposed to a reimbursable basis. Therefore, they are not subject to an expense accrual.

Programs Subject to the Expense Accrual: For programs subject to the accrual, grantees draw funds (recorded as Advances to Grantees in CDC's accounting systems) as bills or salary payments come due. The grantee pays the bills or salary and reports the payments to CDC quarterly on the SF 272 (recorded as an expense and a reduction to the advance balance in the accounting systems).

The process adopted by CDC to estimate a year-end grant accrual relies on historical spending patterns to predict unreported grantee expenditures. The method breaks the accrual down into two components.

The first component represents the amount of expenditures expected to be reported by the grantees for the fourth quarter ending September 30, 2001. This component is calculated with a data regression model, which uses historical grantee advance and expenditure data.

To estimate the second component, expenses Incurred But Not Reported (IBNR), HHS gathered information on spending patterns from four different groups of grantees to determine if they had unreported expenses at year-end and if so, in what amounts. As a result, HHS determined that grantees typically had year-end IBNR equal to approximately two weeks of annual expenditures. Together, the estimated amount of expenditures expected to be reported by grantees for the fourth quarter ending September 30, 2001, and the estimated IBNR represent the total amount reported for CDC for accrued grants. (Refer to Note 5 “Advances to Grantees/Accrued Grant Liabilities.”)

INVENTORY AND RELATED PROPERTY

Inventory and Related Property includes operating materials and supplies held for future use and stockpile materials. Both inventories and operating materials and supplies held for future use are recorded as assets when purchased, and expensed when they are consumed or sold. CDC maintains stores of biological products that are classified as operating materials and supplies held for future use. Biological products are research and diagnostic chemical agents used for laboratory testing and experimentation. Biological products are valued at historical cost using the specific identification method.

CDC is required by the Omnibus Budget Reconciliation Act, effective October 1, 1993, to maintain a vaccine stockpile to meet unanticipated needs for the vaccines. Stockpile materials represent supplies of biological materials and vaccines held for use in case of a national emergency. CDC sells vaccines from the stockpile to state, local, and territorial health departments. The vaccine stockpile is maintained by the companies that manufacture the vaccines and is valued at historical cost using a specific identification cost flow assumption.

GENERAL PROPERTY, PLANT, AND EQUIPMENT

The basis for recording purchased General Property, Plant, and Equipment (PP&E) is full cost, including all costs incurred to bring the PP&E to a form and location suitable for its intended use. The cost of PP&E acquired under a capital lease is the amount recognized as a liability for the capital lease at its inception. The cost of PP&E acquired through donation is the estimated fair value when acquired. The cost of PP&E transferred from other federal entities is the net book value of the transferring entity. In general, PP&E with an initial acquisition cost of \$25,000 or more and an estimated useful life of two years or greater is capitalized except for internal use software. Internal use software will be capitalized if the initial acquisition cost is \$1 million or more. Software is amortized over a useful life of five years using a straight-line basis. PP&E are depreciated on a straight-line basis over the estimated useful life of the item. Land and land rights are not depreciated. Normal maintenance and repair costs are expensed as incurred.

LIABILITIES

Liabilities are recognized for amounts of probable future outflows or other sacrifices of resources as a result of past transactions or events. Because CDC is a component of the U.S. Government, a sovereign entity, its liabilities cannot be liquidated without legislation that provides resources to do so. Payments of all liabilities other than contracts can be abrogated by the sovereign entity.

Liabilities Covered by Budgetary Resources are those liabilities funded by available budgetary resources including (1) new budget authority, (2) spending authority from offsetting collections, (3) recoveries of unexpired budget authority, (4) unobligated balances of budgetary resources at the beginning of the year, and (5) permanent indefinite appropriation. "Liabilities Covered by Budgetary Resources" and "Liabilities Not Covered by Budgetary Resources" are combined on the balance sheet. The breakout of these resources is presented in Note 8 "Accounts Payable," Note 10 "Accrued Payroll and Benefits," Note 11 "Other Liabilities," and Note 12 "Federal Employees' and Veterans' Benefits."

Liabilities Not Covered by Budgetary Resources are incurred when funding has not yet been made available through Congressional appropriations or current earnings. CDC recognizes such liabilities

for employee annual leave earned but not taken, and amounts billed by the Department of Labor for Federal Employees' Compensation Act (FECA) disability payments.

ACCOUNTS PAYABLE

Accounts Payable consists of amounts due for goods and services received, progress in contract performance, interest due on accounts payable, and other miscellaneous payables.

FEDERAL EMPLOYEES' AND VETERANS' BENEFITS

Federal employees' and veterans' benefits consist of the actuarial portions of future benefits earned by federal employees and veterans, but not yet due and payable. These costs include pensions, other retirement benefits, and other postemployment benefits. These benefits are normally administered by the Office of Personnel Management and not by CDC. CDC also has employees who participate in the HHS-administered Commissioned Corps Retirement System. Because CDC does not administer the benefit plans, CDC does not recognize any liability on the Balance Sheet for pensions, other retirement benefits, and other postemployment benefits. CDC does, however, recognize the imputed costs and imputed financing related to these benefits in the Consolidating Statement of Net Cost and the Consolidating Statement of Changes in Net Position, respectively.

Pensions: Pensions provide benefits upon retirement and may also provide benefits for death, disability, or other termination of employment before retirement. Pension plans may also include benefits to survivors and dependents, and they may contain early retirement or other special features. Most CDC employees participate in the Civil Service Retirement System (CSRS) or the Federal Employee Retirement System (FERS). Under CSRS, CDC makes matching contributions equal to 8.51% of basic pay. For FERS employees, CDC contributes the employer's matching share for Social Security and contributes an amount equal to 1% of employee pay to a savings plan and matches up to an additional 4% of pay. Most employees hired after December 31, 1983, are covered by FERS. The Office of Personnel Management reports on CSRS and FERS assets, accumulated plan benefits, and unfunded liabilities, if any, applicable to federal employees.

Other Retirement Benefits: Retirement benefits other than pensions (ORB) are all forms of benefits to retirees or their beneficiaries provided outside the pension plan. Examples include health and life insurance. Retirement health care benefits are the primary expenses of this type.

Other Postemployment Benefits: Postemployment benefits other than pensions (OPEB) include all types of benefits provided to former or inactive (but not retired) employees, their beneficiaries, and covered dependents. Inactive employees are those who are not currently rendering services to their employers and who have not been terminated, but who are not eligible for an immediate annuity, including those temporarily laid off or disabled. OPEB includes salary continuation, severance benefits, counseling and training, continuation of health care or other benefits, and unemployment and workers' compensation benefits paid by the employer entity.

ACCRUED PAYROLL AND BENEFITS

"Accrued Workers Compensation (including FECA)" is for amounts due to former or inactive employees and beneficiaries. This can include salary continuation, severance benefits, counseling, and funded unemployment liability for federal employees.

"Accrued Payroll and Leave" is the estimated liability for salaries, wages, funded annual leave, and sick leave that has been earned but is unpaid.

"Payroll Withholding" is the amount withheld from employees' salary for taxes, employee benefit contributions and the employers' portion of payroll taxes and benefit contribution, such as retirement, Thrift Saving Plan, and health and life insurance.

"Liability for Pension Benefits for Administering Agency" is the amount due from administering agencies to eligible federal civilian or military employees or their beneficiaries, to benefit carriers for providing health insurance and for life insurance due to eligible beneficiaries. CDC is an administering agency for the Commissioned Corps. This is not an actuarial liability.

"Other" covers the amounts of unfunded employment related liabilities not covered by the current year's budget authority and not otherwise classified above. See Note 10 "Accrued Payroll and Benefits."

OBLIGATIONS RELATED TO CANCELED APPROPRIATIONS

Payments may be required of up to 1% of current year appropriations for valid obligations incurred against prior year appropriations that have been canceled. The total potential payments related to canceled appropriations is estimated to be \$38.7 million and \$29.1 million as of September 30, 2001, and 2000, respectively.

REVENUES AND OTHER FINANCING SOURCES

Funding for CDC is classified as revenue or other financing sources. Revenue is an inflow of resources that the government demands, earns, or receives by donation. Revenue comes from two sources: exchange transactions and nonexchange transactions. Exchange revenues arise when a government entity provides goods and services to the public or to another government entity for a price. Another term for “exchange revenue” is “earned revenue.” Nonexchange revenues arise primarily from exercise of the government’s power to demand payments from the public (e.g., taxes, duties, fines, and penalties) but also include donations. Other Financing Sources include appropriations used, transfers of assets from other government entities, and imputed financing.

EXCHANGE REVENUE

CDC recognizes exchange revenue related to reimbursable agreements when the related expenses are incurred. CDC also collects various user fees to offset the cost of providing services. Exchange revenue is reported in the Consolidating Statement of Net Cost.

NONEXCHANGE REVENUE

Nonexchange revenues include income taxes, excise taxes, duties, fines, penalties, and other inflows of resources arising from the government’s power to demand payments, as well as voluntary donations. Nonexchange revenue is recognized when a reporting entity establishes a specifically identifiable, legally enforceable claim to cash or other assets. It is recognized to the extent that the collection is probable and the amount is measurable. Agencies with nonexchange revenue report it on the Consolidating Statement of Changes in Net Position.

OTHER FINANCING SOURCES

Congressional appropriations are the primary funding source for most of CDC's programs. For financial statement purposes, appropriations used are recognized as a financing source as expenses are incurred.

Imputed financing is costs incurred by one federal entity that are paid for by another federal entity. These are also known as inter-entity costs. OMB is limiting the inter-entity costs to be recognized by federal agencies to the following: (1) employee's pension benefits; (2) the health, life insurance, and other benefits for retired employees; (3) other postemployment benefits for retired, terminated, and inactive employees, which include severance payments, training and counseling, continued health care, and unemployment and workers' compensation under the Federal Employees' Compensation Act; and (4) losses in litigation proceedings (FASAB Interpretation No. 2, "Accounting for Treasury Judgment Fund transactions").

CONTINGENCIES

A contingency is an existing condition, situation, or set of circumstances involving uncertainty as to possible gain or loss to CDC. The uncertainty will ultimately be resolved when one or more future events occur or fail to occur. With the exception of pending, threatened, or potential litigation, a contingent liability is recognized when a past transaction or event has occurred, a future outflow or other sacrifice of resources is more likely than not, and the related future outflow or sacrifice is measurable. For pending, threatened, or potential litigation, a liability is recognized when a past transaction or event has occurred, a future outflow or other sacrifice of resources is likely to occur, and the related future outflow or sacrifice of resources is measurable.

USE OF ESTIMATES IN PREPARING FINANCIAL STATEMENTS

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

INTRAGOVERNMENTAL RELATIONSHIPS AND TRANSACTIONS

In the course of its operations, CDC has relationships and financial transactions with numerous federal agencies. The more prominent of those relationships are with other operating divisions of HHS. CDC also has relationships with agencies such as the General Services Administration and the Environmental Protection Agency (EPA), among others. At the governmentwide level, the assets, liabilities, expenses, and revenues related to those transactions are eliminated. Transactions between HHS operating divisions are eliminated in the HHS consolidated financial statements.

NOTE 2: FUND BALANCE WITH TREASURY

CDC's undisbursed account balances as of September 30, 2001, and 2000 are listed by fund type. Other funds include balances in deposit, suspense, clearing, and related nonspending accounts.

FY 2001			
	Health Entity	ATSDR Entity	Consolidated Total
Trust funds	\$ 15,220	\$61,313	\$ 76,533
Appropriated funds	3,575,033	—	3,575,033
Other fund types	1,682	—	1,682
Total	\$3,591,935	\$61,313	\$3,653,248
FY 2000			
Trust funds	\$ 42,676	\$14,770	\$ 57,446
Appropriated funds	2,665,998	—	2,665,998
Other fund types	1,846	—	1,846
Total	\$2,710,520	\$14,770	\$2,725,290

NOTE 3: ACCOUNTS RECEIVABLE, NET

CDC's accounts receivable consists mainly of amounts due for goods and services provided to other federal agencies and public and foreign entities. CDC receivables also include miscellaneous refunds due to CDC resulting from overpayments to vendors or to current or noncurrent employees. CDC only establishes an allowance for uncollectible accounts for governmental receivables. The allowance is based on past collection experience and an analysis of the outstanding balances.

Intragovernmental accounts receivable include a receivable for the remaining balance of the annual interagency agreements between EPA and CDC for FY 2000 and prior years. The interagency agreements provide funding for ATSDR and authorize ATSDR to obligate funds. However, for FY 2000 and prior years, ATSDR can only draw from the trust fund as cash is needed to cover disbursements. Thus, the difference between the amount of the agreements and the amount ATSDR has drawn down for disbursements represents a receivable to ATSDR. The remaining component of intragovernmental receivables is primarily from federal agencies pursuant to reimbursable agreements.

CDC's accounts receivable at September 30, 2001, and 2000 are summarized on the next page.

FY 2001

	Ending Balance, Gross Receivables	Allowance	Net Receivables, Combined	Intra-Entity Eliminations	Net Receivables, Consolidated
At September 30, 2001					
<i>Intragovernmental</i>					
Entity					
Health	\$ 36,380	\$ —	\$ 36,380	\$1,161	\$35,219
Natural resources and the environment	4,719	—	4,719	—	4,719
Nonentity					
Health	13	—	13	—	13
Total Intragovernmental	\$ 41,112	—	\$ 41,112	\$1,161	\$39,951
<i>With the public</i>					
Entity					
Health	9,306	(114)	9,192	—	9,192
Natural resources and the environment	217	—	217	—	217
Nonentity					
Health	438	—	438	—	438
Total, with the public	\$ 9,961	\$(114)	\$ 9,847	\$ —	\$ 9,847

FY 2000

At September 30, 2000					
<i>Intragovernmental</i>					
Entity					
Health	\$ 49,314	\$ —	\$ 49,314	\$2,122	\$47,192
Natural resources and the environment	51,841	—	51,841	—	51,841
Nonentity					
Health	13	—	13	—	13
Total Intragovernmental	\$101,168	—	\$101,168	\$2,122	\$99,046
<i>With the public</i>					
Entity					
Health	13,400	(110)	13,290	—	13,290
Natural resources and the environment	4	—	4	—	4
Nonentity					
Health	180	—	180	—	180
Total, with the public	\$ 13,584	\$(110)	\$ 13,474	\$ —	\$13,474

NOTE 4: OTHER ASSETS

CDC's other assets as of September 30, 2001, and 2000 comprised the following, all of which are considered Entity assets:

	CDC	
	FY 2001	FY 2000
<i>Intragovernmental</i>		
Advances to other federal entities	\$4,849	\$7,139
Prepayments	—	—
Combined, intragovernmental	4,849	7,139
Less: intra-entity eliminations	—	—
Consolidated, intragovernmental	\$4,849	\$7,139
<i>With the public</i>		
Prepayments	—	—
Travel advances and emergency employee payments	1,574	1,901
Advances to others	469	202
Combined, with the public	\$2,043	\$2,103

NOTE 5: ADVANCES TO GRANTEES/ACCRUED GRANT LIABILITY

Grant advances are liquidated upon the grantee's reporting of expenditures on the quarterly SF-272 Report (Federal Cash Transaction Report). In many cases, these reports are received several months after the grantee actually incurs the expense, resulting in an understated grant expense in the financial statements. To mitigate this, HHS developed departmentwide procedures used by its operating divisions to estimate and accrue amounts due grantees for their expenses, both realized and accrued, through September 30, 2001.

At fiscal year-end when CDC records the estimated accrual for amounts due to grantees for their expenses, if the amount of outstanding advances exceeds the amount of the accrual, CDC reports an asset for "Advances to Grantees." Otherwise, CDC reports a liability called "Accrued Grant Liability," equal to the amount that the accrual exceeds the outstanding advances. For additional information on this subject see Note 1 under "Advances to Grantees/Accrued Grants Liability."

All advances other than grant advances are reported in the “Other Assets” category. The detail of these advances is shown in Note 4.

	FY 2001		FY 2000	
	CDC	ATSDR	Consolidated Total	Consolidated Total
Grant Advances	Health	Natural Resources and Environment		
Grant advances outstanding (before year-end grant accrual)	\$ 342,355	\$ 4,033	\$ 346,388	\$ 78,438
Less: estimated accrual for amounts due to grantees	488,759	6,780	495,539	206,908
Net grant advances	\$(146,404)	\$(2,747)	\$(149,151)	\$(128,470)

NOTE 6: INVENTORY AND RELATED PROPERTY, NET

CDC’s Operating Materials and Supplies Held for Future Use consist of biological products and supplies. Biological products are research and diagnostic chemical agents used for laboratory testing and experimentation. CDC classifies its stores of biological products as held for future use based on the difficulty in producing the products when needed. CDC estimates the value of the stores of biological products pending development of a cost system to capture the actual costs associated with producing the products.

CDC is mandated by law to maintain a vaccine stockpile to meet unanticipated needs for the vaccines, and for national emergencies. Vaccine stockpiles are maintained by the vaccine manufacturers and consist of several types of vaccines. CDC may only sell these vaccines to state, local, or territorial health departments. The health departments order vaccines through CDC, and CDC notifies the manufacturer of the orders. The manufacturer ships the vaccines directly to the health departments. CDC’s vaccine stockpile is valued at historical cost using a specific identification cost flow assumption.

CDC’s contracts with the vaccine manufacturers generally state that a manufacturer’s excise tax will be paid upon delivery of the vaccines. The excise tax funds a vaccine injury compensation program that is part of the National Vaccine Injury Compensation Program (VICP). The VICP, established by the Public Health Service Act, provides no-fault compensation for certain individuals who have

been injured by specific childhood vaccines. The Taxpayer Relief Act of 1997 provides that the excise tax on all covered vaccines is \$0.75 per dose and that combinations of vaccines are subject to an excise tax, which is the sum of amounts for each vaccine included in the combination. The excise tax is paid by the health departments when they purchase the vaccines from CDC. Based on the number of doses in the vaccine stockpile at the end of FY 2001, the excise tax payable is \$9,824.

CDC's inventory and related property, net at September 30, 2001, and 2000 are summarized in the following table.

	CDC	
	FY 2001	FY 2000
Operating materials and supplies (OMS) held for use	\$ —	\$ —
OMS held for future use	8,099	12,719
Excess, obsolete, and unserviceable OMS	—	(4,661)
Total OMS	8,099	8,058
Stockpile materials and supplies	—	—
Stockpile materials held for emergency	18,488	18,513
Total inventory and related property, net	\$26,587	\$26,571

NOTE 7: GENERAL PROPERTY, PLANT, AND EQUIPMENT, NET

Balances for the major categories of CDC Property, Plant, and Equipment at September 30, 2001, and 2000 are in the following table.

Property, Plant, and Equipment	Depreciation Method	Estimated Useful Live	FY 2001		FY 2000	
			Acquisition Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Land and land rights	N/A	N/A	\$ 19,882	\$ —	\$ 19,882	\$ 19,848
Construction in progress	N/A	N/A	66,632	—	66,632	23,839
Buildings, facilities, & other structures	Straight line	31.5 years	159,105	(91,392)	67,713	67,427
Equipment	Straight line	3–20 years	93,556	(43,738)	49,818	44,560
Internal use software	Straight line	5 years	—	—	—	685
Capital leases	Straight line	31.5 years	22,705	(3,843)	18,862	19,583
Leasehold agreements	Straight line	various	—	—	—	—
CDC total			361,880	(138,973)	222,907	175,942
Equipment, ATSDR	Straight line	7–15 years	1,995	(1,071)	924	982
Total			\$363,875	\$(140,044)	\$223,831	\$176,924

See the disclosure, “Schedule of Deferred Maintenance” (page 117) in the Required Supplementary Information section for information on deferred maintenance for General Property, Plant, and Equipment.

NOTE 8: ACCOUNTS PAYABLE

For FY 2001, intragovernmental accounts payable of \$40 and accounts payable with the public of \$156,282 are covered by budgetary resources. For FY 2000, intragovernmental accounts payable of \$14,152 and accounts payable with the public of \$120,997 were covered by budgetary resources.

NOTE 9: ENVIRONMENTAL AND DISPOSAL COSTS

CDC management recognizes the possibility that a liability may exist for the clean up of sites belonging to CDC. An estimate of potential liability is not determinable at this time.

NOTE 10: ACCRUED PAYROLL AND BENEFITS

Accrued funded payroll is the estimated liability for salaries and wages and other benefits of civilians and commissioned officers that have been incurred but are unpaid at the end of the fiscal year. CDC's accrued payroll and benefits at September 30, 2001, and 2000 are summarized in the table on the next page.

FY 2001

	CDC	ATSDR	
	Health	Natural Resources and Environment	Consolidated Total
Intragovernmental			
<i>Liabilities covered by budgetary resources</i>			
Accrued payroll	\$ 3,827	\$ 213	\$ 4,040
Accrued workers compensation	3,327	—	3,327
Total liabilities covered by budgetary resources	7,154	213	7,367
Total, Intragovernmental	7,154	213	7,367
With the public			
<i>Liabilities covered by budgetary resources</i>			
Accrued payroll	33,816	1,979	35,795
Total liabilities covered by budgetary resources	33,816	1,979	35,795
<i>Liabilities not covered by budgetary resources</i>			
Accrued leave	43,282	2,265	45,547
Total liabilities not covered by budgetary resources	43,282	2,265	45,547
Total, with the public	\$77,098	\$4,244	\$81,342

FY 2000

Intragovernmental			
<i>Liabilities covered by budgetary resources</i>			
Accrued payroll	\$ 3,331	\$ 160	\$ 3,491
Total liabilities covered by budgetary resources	3,331	160	3,491
Total, Intragovernmental	3,331	160	3,491
With the public			
<i>Liabilities covered by budgetary resources</i>			
Accrued payroll	31,285	1,605	32,890
Total liabilities covered by budgetary resources	31,285	1,605	32,890
<i>Liabilities not covered by budgetary resources</i>			
Accrued leave	38,511	1,840	40,351
Total liabilities not covered by budgetary resources	38,511	1,840	40,351
Total, with the public	\$69,796	\$3,445	\$73,241

NOTE 11: OTHER LIABILITIES

Other liabilities covered by budgetary resources include deferred revenue that represents advances received from other federal agencies and the public under reimbursable agreements in excess of expenses incurred in the execution of the agreements. CDC's Other Liabilities at September 30, 2001, and 2000 are summarized in the following table.

	FY 2001		FY 2000	
	CDC	ATSDR	Consolidated Total	Consolidated Total
	Health	Natural Resources and Environment		
Intragovernmental				
<i>Liabilities covered by budgetary resources</i>				
Liabilities for deposit funds, clearing accounts and undeposited collections	\$14,760	\$ —	\$14,760	\$ —
Deferred revenue	16,666	347	17,013	35,366
Other	7,167	109	7,276	—
Total intragovernmental liabilities covered by budgetary resources	38,593	456	39,049	35,366
<i>Liabilities not covered by budgetary resources</i>				
Capital lease liability	20,784	—	20,784	20,779
Other	16	—	16	—
Total intragovernmental liabilities not covered by budgetary resources	20,800	—	20,800	20,779
With the public				
<i>Liabilities covered by budgetary resources</i>				
Liabilities for deposit funds, clearing accounts and undeposited collections	388	—	388	115
Deferred revenue	2,314	—	2,314	2,215
Other	31,801	985	32,786	321
Total liabilities with the public covered by budgetary resources	34,503	985	35,488	2,651
Total	\$93,896	\$1,441	\$95,337	\$58,796

NOTE 12: FEDERAL EMPLOYEES' AND VETERANS' BENEFITS

The actuarial liability for future workers' compensation benefits includes the expected liability for death, disability, medical, and miscellaneous costs for approved compensation cases. The liability is determined by a method that uses historical benefit payment patterns related to a specific incurred period to predict the ultimate payment related to that period. Consistent with past practice, these projected annual benefit payments have been discounted to present value using the OMB's economic assumptions for 10-year Treasury notes and bonds. Interest rate assumptions used for discounting in 2001 was 5.21% in year 1, 5.21% in year 2 and thereafter.

To provide more specifically for the effects of inflation on the liability for future workers' compensation benefits, wage inflation factors (cost of living adjustments or COLAs), and medical inflation factors (consumer price index medical or CPIMs) are applied to the calculation of projected future benefits. These factors are also used to adjust the methodology's historical payments to current year dollars. The compensation COLAs and CPIMs used in projections were as follows:

FY	COLA	CPIM
2001	3.33%	4.44%
2002	3.00%	4.15%
2003	2.56%	4.09%
2004	2.50%	4.09%
2005+	2.50%	4.09%

Workers' compensation benefits are liabilities not covered by budgetary resources. CDC's Federal Employees' and Veterans' Benefits at September 30, 2001, and 2000 were as follows:

	FY 2001	FY 2000
With the Public		
<i>Liabilities not covered by budgetary resources</i>		
Future workers' compensation benefits	\$18,752	\$16,372
Total federal employees' and veterans' benefits	\$18,752	\$16,372

NOTE 13: NET POSITION

Net position is the difference between assets and liabilities. The section contains two line items: Unexpended Appropriations, including unobligated appropriations and undelivered orders, and Cumulative Results of Operations. Unobligated appropriations are either available for obligation or not available (permanently or temporarily) pursuant to a specific provision in law. Undelivered orders represent appropriations obligated (i.e., legally reserved) for the amount of goods or services ordered but not yet received. Cumulative results of operations represent the net difference between (1) expenses and losses and (2) financing sources, including appropriated capital used, and revenues and gains since the inception of the activity. CDC's Net Position as of September 30, 2001, and 2000 are summarized in the following table:

	FY 2001					FY 2000
	CDC			ATSDR		Consolidated Totals
	Appropriated Funds	Trust Funds	Other Funds	Trust Funds	Consolidated Totals	
<i>Unexpended appropriations</i>						
Unobligated:						
Available	\$ 46,424	\$2,403	\$1,528	\$ 27	\$ 50,382	\$ 28,021
Unavailable	11,626	10	—	7,120	18,756	17,317
Undelivered orders	3,161,010	3,733	224	49,199	3,214,166	2,459,905
Subtotal	3,219,060	6,146	1,752	56,346	3,283,304	2,505,243
Cumulative results of operations	170,459	765	113	(2,439)	168,898	129,902
Net position	\$3,389,519	\$6,911	\$1,865	\$53,907	\$3,452,202	\$2,635,145

NOTE 14: LEASES

Capital Leases: CDC entered into an agreement with the General Services Administration (GSA) for the lease-purchase of two buildings. Under this agreement, ownership of the buildings will transfer to CDC at the end of the lease period. Capitalized assets acquired under capital lease agreements and their related liability are reported at the present value of the minimum lease payments. The imputed interest is \$20,842.

Operating leases: CDC also has commitments under four cancelable leases for office, laboratory space, and land. The lease for office space terminates in FY 2004, the laboratory lease terminates in FY 2002, and the two land leases terminate in FY 2001 and FY 2008. CDC's projected rent expense pertaining to these four leases is as follows:

LEASE TABLE 1

Summary of assets under capital lease	FY 2001	FY 2000
Land and buildings	\$22,705	\$22,705
Less: accumulated amortization	(3,843)	(3,122)
Assets under capital lease	\$18,862	\$19,583

LEASE TABLE 2

Future minimum lease payments	FY 2001		FY 2000	
	Capital Leases	Operating Leases	Capital Leases	Operating Leases
Year 1	\$ 1,759	\$ 694	\$ 1,759	\$ 694
Year 2	1,759	209	1,759	688
Year 3	1,758	209	1,759	206
Year 4	1,758	202	1,758	186
Year 5	1,758	154	1,758	154
Later years	32,834	307	34,242	461
Total minimum lease payments	\$ 41,626	\$1,775	\$ 43,035	\$2,389
Less imputed interest	(20,842)		(22,256)	
Total capital lease liability	\$ 20,784		\$ 20,779	

NOTE 15: CONSOLIDATED GROSS COST AND EXCHANGE REVENUE BY BUDGET FUNCTIONAL CLASSIFICATION

CDC's consolidated gross cost and exchange revenue by budget functional classification for the fiscal years ended September 30, 2001, and 2000 are summarized as follows:

	FY 2001			FY 2000
	CDC	ATSDR	Consolidated Total	Consolidated Total
	Health	Natural Resources and Environment		
Intragovernmental				
Gross cost	\$ 410,439	\$20,348	\$ 430,787	\$ 358,405
Less: exchange revenue	189,581	10,981	200,562	159,019
Net cost—intragovernmental	220,858	9,367	230,225	199,386
With the public				
Gross cost	3,731,688	66,074	3,797,762	2,550,447
Less: exchange revenue	1,997	203	2,200	10,853
Net cost—with the public	3,729,691	65,871	3,795,562	2,539,594
Totals				
Gross cost	4,142,127	86,422	4,228,549	2,908,852
Less: exchange revenue	191,578	11,184	202,762	169,872
Net Cost of Operations	\$3,950,549	\$75,238	\$4,025,787	\$2,738,980

NOTE 16: BUDGETS AND BUDGETARY ACCOUNTING

Adjustments to budgetary resources represent recoveries and cancellations of expired accounts. Recoveries are cancellations or downward adjustments of prior year obligations that were not outlayed. During FY 2001, CDC recoveries totaled \$35,444.

The primary source of funding for CDC is the annual disease control research and training appropriation from Congress. That appropriation totaled \$3,868,027 for FY 2001, and the majority of those funds are available for obligation only in FY 2001. During FY 2001, Congress rescinded \$2,317 of the annual appropriation.

Of the total appropriation, \$175,000 belongs in a multiyear account and is available until expended for equipment and construction and renovation of facilities. CDC also obtained \$192,223 of budgetary authority under reimbursable agreements with other federal agencies and the public. Additionally, CDC received a FY 2001 allocation transfer of \$857,233 from the Centers for Medicare and Medicaid Services. CDC received gifts and donations totaling \$3,434 in FY 2001. ATSDR received \$74,835 in funds available for obligation in FY 2001. ATSDR also obtained \$18,650 of budgetary authority under reimbursable agreements with other federal agencies and the public.

In accordance with OMB Bulletin 01-09, Section 9.36, CDC did not include ATSDR's allocation transfer appropriation from EPA on its statement of budgetary resources. In FY 2000, the transfer had an unobligated balance of \$6,502 and obligated balance of \$60,631 that were not carried forward to the FY 2001 beginning balances. In addition, CDC's beginning unobligated balance is net of a transfer-in of prior year balance totaling \$1,606 and a transfer-out of prior year balance totaling (\$255).

NOTE 17: STATEMENT OF FINANCING

Liabilities not covered by budgetary resources are disclosed in Notes 10, 11, and 12 and include accrued leave of \$45,547, capital leases of \$20,784, actuarial FECA liability of \$18,752 and other of \$16. For FY 2000, accrued leave was \$40,351, capital leases were \$20,779 and actuarial FECA liability was \$16,372. Management expects that those items will be funded by future financing sources.

In accordance with OMB Bulletin 01-09, CDC reported only the proprietary accounts for its ATSDR allocation transfer appropriation from EPA for pollution control and abatement. The majority of the "Other" line under the section "Components Not Requiring or Generating Resources" on the statement of financing is the difference between the budgetary and proprietary accounts totaling \$25,723.

